

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – OCTOBER 1, 2003

PRESENT: Commissioner John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Peter Engel, Director of Store Operations; Aidan Moore, Chief of Enforcement; Howard Roundy, Director of Information Technology; George Tsiopras, Chief Financial Officer; Al Picconi, United Beverages, Inc.; Brian Law, Law Warehouses.

EXCUSED: Chairman Anthony Maiola; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending September 28, 2003 shows retail sales were up almost 10.7%, on-premise sales were up 12.5%, off-premise sales were up 11.8%, and total aggregate sales were up 10.9%. The traffic count increased by 2,630, as did the average sales ticket by \$1.75.

The W-1 Total Weekly Sales Report for the same week confirms total sales increased by 10.9% or \$673,408, while they also increased for the year by 9.3% or \$8,416,052. Last year at quarter's end sales were up 5.8%. Wine sales were also up for the week by 12.14% or \$341,879. They increased 9.9% or \$3,882,650 for the year, compared to last year's increase of 10.9%. Sales of spirits were up 9.9% or \$331,728 for the week. Year-to-date, they increased by 8.9% or \$4,533,602, which is a measurable increase of last year's 2.1%.

B. Budget Reports:

There was nothing of significance to report regarding either outstanding depletions and post-offs or the gift card program for this week.

Craig received information on figures for workmen's compensation this morning. There are currently five employees receiving payments of over \$5,000 and one receiving over \$31,000. It is assumed that much of this money is for medical payments. Craig will have a more detailed report available this afternoon.

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Yesterday's NABCA Update reported that the FDA is handing down guidelines for bioterrorism and response action, which must be implemented by 12/12/03. This will impact the Commission in that loads coming in and going out will need to be tracked.

Craig provided a copy of a report regarding out-of-state travel requests. There is \$10,382 available for the year, of which none has been encumbered yet. Commissioner Byrne said he would take a closer look at the report this morning.

A Bureau Chief's meeting has been tentatively scheduled for October 15th.

The current W-6 Expense Budget Activity Variance Report shows the year to be at 20.21% complete, with total agency expenditures of the budget at about 23.35%. Workmen's Compensation is up again significantly at about \$130,000 for the first two months of the fiscal year. However, there are reserve funds which can be utilized for this.

There will be an orientation for Lorraine Bradshaw, the new Payroll Supervisor, to meet everyone at the Commission.

The auditors, who have finished their work here, have made immaterial observations regarding the audit of the Liquor Commission. Their comments will be furnished to the Commission shortly.

The draft of the Annual Report for 2003 has been completed and is ready to be proofed.

The \$9.6 million revenue estimate for last month has been exceeded by \$100,000.

All Bureau Chiefs were sent a package via e-mail regarding purchasing procedures which will, hopefully, help to alleviate some confusion. George asked that any comments and/or recommendations be addressed to him.

Craig thanked those employees who recently assisted Tina Demers, who is having medical problems with her wrist, in accomplishing some work projects.

2. IT Reports

Representatives from Dell came in yesterday afternoon to do a study, at which time they found a couple of things which were not quite right, mainly in the Enforcement area. They are attempting to straighten these issues out this morning.

Howard briefly explained what has been happening with the replication and active directory processes, which were the cause of corruption occurring last week. A

conversation with Paymentech about duplicate detection proved frustrating. A meeting will be held with their development personnel about needed changes.

Representatives from Data Capture were in last week regarding a Telzon replacement. They will supply IT with a couple of sample products for testing. They were also able to repair a Telzon box successful when the current vendor said it couldn't be repaired. A recommendation will probably be forthcoming to switch vendors, which could most likely be accomplished by mid-December.

Microsoft personnel stopped by to show some of their new point-of-sale products. Howard was impressed, and felt that 85 to 90% of the Commission's needs could be met, with a few changes. All software could be replaced by about \$70,000, with an additional \$15,000 to \$18,000 for maintenance fees. Craig said that a final payment needed to be made by the end of the next fiscal year to ACR, and that he wasn't sure it wouldn't cost more to install a new system. Commissioner Byrne suggested that this change be pursued further.

Brian Law asked if hand held scanners would be used to check in labels in the near future. Howard anticipated that it would be a while before bar codes were put back on labels.

II. MARKETING & SALES REPORTS

1. Store Operations

Total store sales for the week ending 9/28/03 increased by 10.51% or \$514,679.05. The wine discount warehouses at Stores #6 Portsmouth, #69 Nashua, #10 Manchester, #15 Keene and #23 Conway represented 19% of this increase; business was brisk for the kick-off took place last Thursday from 6:00 – 8:00 p.m. Commissioner Russell commented that the Keene local news reported that Vermont has raised it's sale tax by 1%, which should give stores on the west side of New Hampshire a big boost. It was noted that sales at Store #2 Chesterfield have been climbing. Commissioner Russell suggested that the Commission might consider adding another store in the western part of the state.

- a. Supervisor/Manager Territory Reorganization: This item was addressed during Executive Session of 10/1/03.

2. Purchasing Report

John Bunnell noted that this week's out-of-stock report look better than in the past few weeks. Some of the items which have been the most troublesome have finally been received.

3. Merchandising Report

A. SPIRITS:

1) Thanksgiving Sale:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve thirty-nine (39) spirit items to be featured on sale during the Thanksgiving Day Sale, scheduled for Thursday, November 20 through Sunday, November 30, 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Test Market Products:

a. Test Market Request (Pravda Polish Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Charles Jacquin, Inc. for a new test market listing for Pravda Polish Vodka, 750ML size (assigned Code #3524), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Hangar One Mandarin Blossom Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./St. George Spirits for a new test market listing for Hangar One Mandarin Blossom Vodka, 750ML size (assigned Code #927), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Request (Bauchant Liqueur Napoleon):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./Palm Bay Imports for a new test market listing for Bauchant Liqueur Napoleon, 750ML size (assigned Code #5377), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Test Market Results: (Codes #4534 & #4532):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant specialty status to Code #4534, Daucourt Cognac,

750ML size and Code #4532, LaCuvee Vendome XO Armagnac, 750ML size, as both products exceeded the gross profit required for such listing at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Line Extension Requests:

a. Macallan 12-Year Old Single Malt, 375ML:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./Remy Amerique for a line extension on Macallan 12-Year Old Single Malt Scotch, 375ML size (assigned Code #2512), as this brand in the 750ML size has exceed the gross profit required for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Absolut Vanilia Vodka, 50ML:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Future Brands for a line extension on Absolut Vanilia Vodka, 50ML size (assigned Code #3571), as this brand in the 750ML size has exceed the gross profit required for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) December Special Offers:

a. 3 items – Perfecta Wine Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission table this item until next week's meeting, per request from John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 9 items – Pine State Trading Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions of nine (9) spirit items, to be featured on sale during December 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Nouveau Beaujolais 2003:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the purchase and distribution of Codes #8917 and #32251, Beaujolais Nouveau Duboeuf 2003, Code #8797, Beaujolais Nouveau Mommessin 2003 and Code #29526, American Beaujolais Nouveau Beringer 2002 for the Nouveau Beaujolais program for 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted. (In addition, Commissioner Byrne requested a report on 2002 Bordeaux)

2) Recommended Wine Specialty Products (11 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve eleven (11) wine codes to be designated as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Not Recommended – Wine Specialty & Allocated:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission not recommend two (2) wine codes to be designated as specialty and allocated products, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Recommended Allocated & Restricted Wines for Distribution to Selected Stores:

a. 1 item:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve one (1) allocated and restricted wine codes for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 21 items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve twenty-one (21) allocated and restricted wine codes for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 5) Primary Source Submissions (1 item – primary source; 2 items – exclusive agent; 16 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of one (1) wine code which is from primary source, two (2) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and sixteen (16) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS – None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated from September 25 through October 1, 2003. The motion was unanimously adopted.

2. Coupon Approvals: None.
3. Late Items: None.

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

